



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note – 2009 Biennium

Bill #	SB0012	Title:	Revise community college funding
Primary Sponsor:	Williams, C.	Status:	As Amended in Senate Committee

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Include in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

Description of Fiscal Impact:

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	Unknown	Unknown	Unknown	Unknown
Revenue:				
General Fund	Unknown	Unknown	Unknown	Unknown
Net Impact-General Fund Balance	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL ANALYSIS

Description of Fiscal Impact:

The bill provides for a revised formula to calculate the amount of state general fund appropriated for community colleges. Currently, all state funding is variable. SB 12 creates a fixed and a variable component to the formula. Funding is based on a 3- year average or actual enrollment, whichever is higher. The revised formula creates no inherent increase or decrease to the level of the state appropriation.

Assumptions:

1. SB 12 does not add new expenditures to state government since community college funding and state share is determined by the legislature.
2. Current Unrestricted Funds reported in FY 2006 (base year) for the Community Colleges, excluding one-time only appropriations and reversions were \$16,867,942. The Cost of Education per student is (\$16,867,942 divided by 2,338 (total actual student) = \$7,214.
3. The executive budget funds 2,411 resident students at \$3,230 in FY 2008 and \$3,297 in FY 2009 without payplan.

4. According to the Legislative Fiscal Analyst Study fixed costs represent approximately 75 percent of the total budget while variable costs are approximately 25 percent of the total budget.
5. Using a variable component will reduce the enrollment reversion of state general fund which is required if student enrollment falls short of HB 2 projections. Without knowing the actual enrollment or the variable versus fixed cost split, the exact reversion amount cannot be determined. In order to provide an estimate, an average of previous reversions will be used.
 - a. Since the 2007 biennium, reversions have occurred in the 2001 biennium and reversions are anticipated in the 2007 biennium. During the 2001 biennium the community colleges reverted approximately \$455,000. Although the 2007 biennium is not complete, the reversion calculation for the community colleges for FY 2006 is about \$660,000. A like amount of reversions is assumed in FY 2007.
 - b. The average annual reversions is \$161,364 $((\$455,000 + 1,320,000)/12 = \$147,917)$.
 - c. It is assumed that the Legislature sets 25% of the costs will be as variable.
 - d. Prior reversions were 100% of the average cost. The difference between the 25% reversion and the 100% reversion is 75% as the potential loss to the state general fund if reversions occur.
 - e. 75% of \$147,917 is \$110,938 per year if reversions occur.
 - f. Appropriations to community colleges are typically biennial. The entire reversion amount will fall in the second year of the biennium. The average biennial reversion loss is \$221,795.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Local Assistance	Unknown	Unknown	Unknown	Unknown
<u>Funding of Expenditures:</u>				
General Fund (01)	Unknown	Unknown	Unknown	Unknown
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	Unknown	Unknown	Unknown	Unknown

Technical Concern:

It is uncertain how the payplan will work with the state and local share and whether it is fixed or variable.

Sponsor's Initials

Date

Budget Director's Initials

Date